Taiping Poly (M) Sdn Bhd v Wong Fook Toh (t/a Kong Wah Trading Co) & Ors

FEDERAL COURT (PUTRAJAYA) — CIVIL APPEAL NO 02–44 OF 2009(J)
RICHARD MALANJUM CJ (SABAH AND SARAWAK), HASHIM YUSOFF AND MOHD GHAZALI FCJJ
9 FEBRUARY 2011

Damages — Assessment — Principle to be applied when assessing damages payable to successful plaintiff in trademark infringement and passing-off action — Whether damages should be based on loss of business profits and not merely on loss of sales or loss of nett profits — Whether on finding defendant liable damages for loss of goodwill and reputa.tion were presumed — Whether amount to be granted for loss of goodwill was within discretion of court based on facts and circumstances of case

The instant appeal concerned only the quantum of damages that was awarded to the appellant in a trademark infringement/passing-off action it had filed against the respondents. At the end of a hearing to assess damages, the senior assistant registrar ('SAR') of the High Court awarded the appellant, inter alia, RM2,154,426.79 to compensate it for loss of sales it had suffered for the years 1995 and 1996 as a result of the respondents' action. On appeal, the judge-in-chambers applied a different principle of assessment and reduced the award to RM14,759 for loss of net profits. The court also awarded the appellant RM50,000 for loss of goodwill after considering the period over which it had suffered the loss and damages and the fact that it had spent monies to make good the infringement of its brand. The Court of Appeal ('COA') affirmed the judge's decision and held that the judge's approach to assessing the damages was correct because 'loss of sales' alone could not equal the damages suffered by the appellant. The appellant, however, maintained that the principle that should have used was 'loss of sales'. The respondents, on the other hand, argued that it should be loss of 'overall nett profit'. In the instant appeal against the COA's decision, the appellant sought an increase in the award for loss of goodwill whereas, in a cross-appeal filed against that award, the respondents argued that only a nominal sum should have been awarded as the appellant had never seriously pursued that head of claim. The question of law posed to the Federal Court, on which leave to appeal was granted, was: whether the correct principle of law to be applied when assessing damages in a trademark infringement and passing-off case was to assess the 'loss of sales' suffered by the successful plaintiff and not by using the accounting concepts of 'nett profit after deducting tax and charging overheads' or 'loss of nett profits'.

Held, allowing the appellant the sum of RM32,726.70 as loss of business profits for the years 1995–1997, maintaining the RM50,000 loss of goodwill award, affirming all other orders made by the courts below and dismissing the respondents' cross-appeal:

(1) The principle to be applied when assessing damages payable to the successful plaintiff in a trademark infringement and passing-off action was neither 'loss of sales' or loss of 'nett profit' but 'loss of business profits 'caused by the diversion of the plaintiff's customers to the defendant as a result of the defendant's misrepresentation'. That was the acceptable principle applied in common law jurisdictions. In the instant case, the loss of business profit for each relevant year was assessed by multiplying the profit margin percentage with the loss of sales figure. The profit margin percentage was obtained by dividing the 'profit before taxation' figure by the turnover for a particular year. In the instant case, the resultant sum of RM32,726.70 as loss of business profits for the years 1995–1997 was a reasonable assessment of the appellant's loss as a result of the respondents' infringement of its brand for the three years in question (see paras 24, 33–36 & 42).

(2) Loss of sales alone was not synonymous with loss of business profits. The SAR merely totalled up the appellant's loss of sales as the damages due to it. That approach effectively resulted in the appellant being overcompensated since items such as overheads and other contingencies would have been included in the computation. Loss of sales could not be described as the damages that naturally flowed from the unlawful act of the respondents. On the other hand, the High Court judge and the COA based the damages payable on nett profit calculated after taking into account the submitted audited accounts of the appellant. But such computation failed to consider that the nett profit involved the consideration of other factors such as sales of other products other than the infringed products. Further, the issue of tax payable in computing damages in tortious actions should not arise (see paras 26 & 28–29).

(3) There was no reason to interfere with the exercise of discretion by the courts below to award RM50,000 for loss of the appellant's goodwill. The court disagreed with the respondents' submission that only a nominal sum should be awarded due to the appellant's failure to seek a higher sum for loss of goodwill. There was no basis for such a submission as it was trite law that damages for loss of goodwill and reputation was presumed and the sum to be awarded was a matter of the court's discretion (see paras 37 & 40–41).

[Bahasa Malaysia summary

Rayuan ini hanya berkenaan kuantum ganti rugi yang diawardkan kepada perayu dalam tindakan pelanggaran/kelirupaan cap dagangan yang difailkan

terhadap responden-responden. Pada akhir pendengaran untuk mentaksir ganti rugi, penolong kanan pendaftar ('PKP') Mahkamah Tinggi mengawardkan perayu, antara lain, RM2,154,426.79 untuk membayar pampasannya bagi kerugian jualan yang dialaminya bagi tahun 1995 dan 1996 akibat tindakan responden-responden. Atas rayuan, hakim dalam kamar memohon prinsip taksiran berbeza dan mengurangkan award kepada RM14,759 bagi kerugian keuntungan bersih. Mahkamah juga mengawardkan perayu RM50,000 bagi kehilangan nama baik selepas mempertimbangkan tempoh di mana ia mengalami kerugian dan ganti rugi dan fakta bahawa ia telah membelanja wang untuk memperbetulkan pelanggaran tersebut terhadap jenamanya. Mahkamah Rayuan ('MR') mengesahkan keputusan hakim dan memutuskan bahawa pendekatan hakim untuk menaksirkan ganti rugi adalah betul kerana 'loss of sales' sendiri tidak boleh sama dengan ganti rugi yang dialami perayu. Perayu, walau bagaimanapun, mengekalkan bahawa prinsip yang patut digunakan adalah 'loss of sales'. Responden-responden, sebaliknya, berhujah bahawa ia sepatutnya menjadi kerugian 'overall nett profit'. Dalam rayuan terhadap keputusan MR, perayu memohon penambahan award untuk kehilangan nama baik sementara, dalam rayuan balas yang difailkan terhadap award, responden-responden berhujah bahawa hanya jumlah minima patut diawardkan memandangkan perayu tidak pernah secara serius mengejar kepala tuntutan. Persoalan undang-undang yang dikemukakan kepada Mahkamah Persekutuan, yang mana izin untuk merayu diberikan, adalah: sama ada prinsip undang-undang betul diguna pakai apabila menaksirkan kes pelanggaran cap dagangan dan kelirupaan adalah untuk menaksir 'loss of sales' dialami oleh plaintif yang berjaya dan bukan menggunakan konsep perakaunan 'nett profit after deducting tax and charging overheads' atau 'loss of nett profits'.

Diputuskan, membenarkan rayuan, mengawardkan perayu jumlah sebanyak RM32,726.70 sebagai kerugian keuntungan perniagaan bagi tahun-tahun 1995-1997, mengekalkan RM50,000 award kehilangan nama baik, mengesahkan ksemua perintah yang dibuat oleh mahkamah bawahan dan menolak rayuan balas responden-responden:

(1) Prinsip untuk digunapakai apabila menaksir ganti rugi yang boleh dibayar kepada plaintif yang berjaya dalam tindakan pelanggaran dan kelirupaan cap dagangan bukan 'loss of sales' atau kerugian 'nett profit' tetapi 'loss of business profits 'caused by the diversion of the plaintiff's customers to the defendant as a result of the defendant's misrepresentation'. Ini adalah prinsip yang diterima yang digunapakai dalam bidang kuasa common law. Dalam kes ini, kerugian keuntungan perniagaan untuk setiap tahun relevan ditaksirkan dengan mendarabkan peratusan margin keuntungan dengan kerugian jumlah jualan. Peratusan margin keuntungan diperolehi dengan membahagikan jumlah 'profit before taxation' dengan perolehan bagi tahun tertentu. Dalam kes ini,

hasil sebanyak RM32,726.70 sebagai keuntungan perniagaan bagi tahun-tahun 1995-1997 adalah penaksiran munasabah kerugian perayu akibat pelanggaran responden-responden terhadap jenamanya bagi tiga tahun yang dipersoalkan (lihat perenggan 24, 33–36 & 42).

(2) Kerugian jualan sendiri tidak sinonim dengan kerugian keuntungan perniagaan. PKP hanya menjumlah kerugian jualan perayu sebagai ganti rugi yang kena dibayar padanya. Pendekatan tersebut mengakibatkan secara berkesan perayu dibayar lebih memandangkan perkara seperti overhed dan kontigensi lain mungkin dimasukkan dalam pengiraan. Kerugian jualan tidak boleh digambarkan sebagai ganti rugi yang terjadi secara semulajdi daripada tindakan responden-responden yang menyalahi undang-undang. Sebaliknya, hakim Mahkamah Tinggi dan MR mendasarkan ganti rugi yang boleh dibayar tersebut atas keuntungan bersih yang dikira selepas mengambil kira akaun perayu yang diaudit yang dimasukkan. Tetapi pengiraan sedemikian gagal untuk mengambil kira bahawa keuntungan bersih melibatkan pertimbangan faktor-faktor lain seperti jualan barangan lain selain daripada barangan yang dilanggar. Selanjutnya, isu cukai yang boleh dibayar dalam mengira ganti rugi dalam tindakan tort tidak patut berbangkit (lihat perenggan 26 & 28–29).

(3) Tidak terdapat alasan untuk campur tangan dengan pelaksanaan budi bicara oleh mahkamah bawahan untuk mengaward RM50,000 bagi kehilangan nama baik perayu. Mahkamah tidak bersetuju dengan hujahan responden-responden bahawa hanya jumlah minima patut diawardkan akibat kegagalan perayu untuk mendapatkan jumlah yang lebih tinggi bagi kehilangan nama baik. Tidak terdapat asas bagi hujahan sedemikian memandangkan ia adalah undang-undang nyata bahawa kehilangan nama baik dan reputasi adalah dianggap dan jumlah untuk diawardkan adalah perkara budi bicara mahkamah (lihat perenggan 37 & 40–41).]

Notes

For cases on assessment in general, see 6(1) *Mallal's Digest* (5th Ed, 2015) paras 295–348.

Cases referred to

Brown and another v Jam Factory Pty Ltd and another, HC (1981) 35 ALR 79, FC (refd)

Dormeuil Frères SA and another v Feraglow Limited and another [1990] RPC 449, ChD (refd)

Esso Petroleum Co Ltd v Mardon [1976] 2 All ER 5; [1976] QB 801, CA (refd)

General Tire and Rubber Co v Firestone Tyre and Rubber Co Ltd [1976] RPC 197, HL (refd)

Guangdong Foodstuffs Import & Export (Group) Corporation v Tung Fook Chinese

Wine (1982) Co Ltd and another HCA011061A/1995, HC (refd)
Juggi Lal-Kamlapat and Juggilal-Kamlapat Mills of Cawnpore v Swadeshi Co Ltd (1928) 46 RPC 74, PC (refd)
Leather Cloth Company v Hirschfield (1865) LR 1 Eq 299 (refd)
Livingstone v Rawyards Coal Co (1880) 5 App Cas 25, HL (refd)
Pneumatic Tyre Co Ltd v Puncture Proof Pneumatic Tyre Co Ltd (1899) 16 RPC 209 (refd)
Prince Manufacturing Inc and another v ABAC Corporation Australia Pty Ltd and another (1984) 57 ALR 159; [1984] FCA 356, FC (refd)
Seet Chuan Seng & Anor v Tee Yih Jia Foods Manufacturing Pte Ltd [1994] 2 MLJ 770, SC (refd)
Spalding (A G) & Bros v A W Gamage Ltd and Benetfink & Co Ltd [1915] 32 RPC 273, HL (refd)
The United Horse-Shoe and Nail Co Ltd v John Stewart and Co (1888) 5 RPC 260, HL (refd)
Wembley Gypsum Products Sdn Bhd v MST Industrial Systems Sdn Bhd [2007] 7 MLJ 193, CA (refd)

Appeal from: Civil Appeal No J-03–142 of 2004 (Court of Appeal, Putrajaya)

Kenneth St James (SY Wong with him) (Michael Chai & Co) for the appellant.
Wong Kim Fatt (Tan Vincent with him) (Henry Soong & Chang) for the respondent.

Richard Malanjum CJ (Sabah And Sarawak) (delivering judgment of the court):

INTRODUCTION

[1] On 23 November 2000 the appellant obtained judgment on liability against the respondent in an action for passing off and with damages to be assessed. There was no appeal against the finding of liability. This appeal is therefore only on the assessment of damages, in particular the principle applicable when assessing damages in passing off action.

[2] On 18 March 2004 the learned senior assistant registrar ('SAR') after hearing the assessment of damages made the following awards:

(a) RM1,139,655.14 for the year 1995;

(b) RM1,014,771.65 for the year 1996;

(c) RM37,400 for expenses during the hearing;

(d) interest on RM2,154,426.79 at 8%pa from 3 May 1996 to the date of full realisation; and

(e) costs.

[3] The High Court on appeal reduced the awards as follows:

(a) damages in the sum of RM14,759 for loss of net profits in respect of infringement for the years 1995 and 1996; and

(b) damages in the sum of RM50,000 for loss of goodwill.

[4] The Court of Appeal affirmed the decision of the High Court in its judgment on 7 April 2010.

[5] Leave to appeal to this court was granted to the appellant on 7 December 2009 with the question posed thus:

a. whether the correct principle of law to be applied when assessing damages in a trademark infringement and passing off case is to assess the 'loss of sales' of the successful Plaintiff and not by way of using the accounting formula of 'nett profit after deducting tax and charging overheads' or the accounting concept of 'loss of nett profits'.

BACKGROUND FACTS

[6] The appellant is the registered owner of a trademark 'HAITOP' which it registered on 27 August 1992 under the Trade Mark Registration No 92/06073 in class 18 in respect of, among others, travel and hand luggage and school bags, purse, harvest set, brief case and roller bags.

[7] The respondent is a partnership dealing with the buying and selling of bags of various types.

[8] The appellant commenced an action on 3 May 1996 against the respondent for infringement of its registered trademark 'HAITOP' and/or passing off alleging that from a date unknown to it and without its consent the respondent had sold and/or offered to sell bags of various types under a trademark 'HIGERTOP' which the appellant said to be deceptively or confusingly similar to its trademark.

[9] The reliefs prayed for were for prohibitory and mandatory injunctions and for an enquiry as to damages or at the appellant's option, for an account of profits and for payment of all sums found due upon taking such enquiry or account and interest thereon.

[10] After a full trial the High Court found the respondent liable, granted

the injunctions as prayed for and ordered an enquiry for the assessment of damages.

ASSESSMENT OF DAMAGES BY THE HIGH COURT AND THE COURT OF APPEAL

[11] In reducing the awards for the infringement and passing off given by the learned SAR the learned High Court judge stated his reasons as follows:

(a) 'that sum of money which will put the party who has been injured, or who has suffered in the same position as he would have been in if he had not sustained the wrong for which he is now getting his compensation or reparation' per Lord Blackburn in *Livingstone v Rawyards Coal Co* (1880) 5 App Cas 25 at p 39;'

(b) 'in awarding damages the plaintiff should not be allowed to profit by it;'

(c) 'the loss suffered by the olaintiff should be the net loss of profits only for the Haitop bags that it produces;'

(d) 'the plaintiff should in addition be awarded loss of goodwill;'

(e) 'the plaintiff should in addition be awarded loss of goodwill. I accept the submission of the counsel of the plaintiff that damages are presumed and need not be proof for goodwill; the greater the reputation of the brand, the more vulnerable is the damages of the goodwill; the length of time of infringement; fair and temperate sums should be awarded.'

(f) 'taking into consideration that the loss and damages suffered by the plaintiff were of a period of three years that plaintiff was the substantial manufacturer of bags in Malaysia that it had to spend additional sums of money to rehabilitate the infringement of its 'Haitop' brand, a sum of RM50,000 should be awarded on this head'.

[12] In upholding the decision of the learned High Court judge the Court of Appeal said this, inter alia:

> Loss of sales merely constitute (sic) evidence used as a means or tool ascertain (sic) the damages actually sustained by the injured party. It cannot be equated with the damages actually sustained by the injured party. It is unsafe to rely wholly and exclusively on the loss of sales and then conclude that that is the damages sustained by the injured party, particularly where there is other evidence, such as accrued profits, as in this instant appeal, to show that the loss of sales is not the damages which the injured party had actually sustained. On the evidence before us, we agree with the way the learned judge ascertained the damages due to the appellant. In *Wembley Gypsum Products Sdn Bhd v MST Industrial Systems Sdn Bhd* [2007] 7 MLJ 193 this court agreed with the learned judge's decision in assessing the damages due to the plaintiff based on a profit of at least 30%–35% out of the loss in the sales of its product. In that case the plaintiff sued the defendant for infringement of its

registered trademarks and passing off of another mark at common law.

CONTENTIONS OF THE PARTIES BEFORE THIS COURT

[13] Before us learned counsel for the appellant submitted, in summary, that the principle of loss of sales should be applied when assessing damages in cases for passing off and infringement of trademark. He contended that the concept of nett profit was one which was coined by the respondent in this case.

[14] In response learned counsel for the respondent argued that the burden was on the appellant to prove the damage suffered and should be limited to loss of profits after taking into account the costs of production and other factors.

ASSESSMENT OF DAMAGES — RELEVANT APPLICABLE PRINCIPLES OF LAW

[15] The current potential civil remedy against an infringer of an intellectual property right is either an assessment of the profit made by the infringer or an award of damages representing the lost profit suffered by the originator. And in an action for infringement of a trademark and passing off it is trite law that the same principle applies when considering the award of damages (see: *Dormeuil Frères SA and another v Feraglow Limited and another* [1990] RPC 449). The usual principal head of damage is the loss of business profits caused by the diversion of the plaintiff's customers to the defendant as a result of the defendant's misrepresentation (see: *Guangdong Foodstuffs Import & Export (Group) Corporation v Tung Fook Chinese Wine (1982) Co Ltd and another* HCA011061A/1995, *Prince Manufacturing Inc and another v ABAC Corporation Australia Pty Ltd and another* (1984) 57 ALR 159; [1984] FCA 356).

[16] In *McGregor on Damages* (16th Ed), at paras 1947–1948 at pp 1261–1262, it is said thus:

> Little attention has been given to the assessment of damages despite the many cases of passing off in the reports. *Spalding v Gamage* and *Draper v Trist* are the only cases of importance. The principal head of damage is the loss of business profits caused by the diversion of the plaintiff's customers to the defendant as a result of the defendant's misrepresentation; beyond this, damages may be awarded for any loss of business goodwill and reputation resulting from the passing off. Damages under both these heads were held to be properly awarded in *Spalding v Gamage* (1918) 35 RPC 101, CA a result which has never since been doubted. *Draper v Trist* (1939) 3 All ER 513, CA dealt with a more complex situation where the defendant had passed off goods by selling them to middlemen, and there was no evidence that the middlemen resold. In these circumstances it was held that the plaintiff's loss of profits could not be a relevant consideration in assessing the loss but that the plaintiff was entitled to damages by reason of the presence of the deceptive goods on

the market, damages which included a sum for loss of reputation. Also, the plaintiff should be able to recover for further loss of profits through reduction of his prices, provided that the reduction is necessary to compete with the goods passed off by the defendant.

[17] The onus is upon the plaintiff to prove the loss actually sustained by reason of the defendant's conduct. The plaintiff is entitled to 'such damages as naturally flow from their unlawful act, and that there is no artificial limitation in the case of a passing off action' (see: *Spalding (A G) & Bros v A W Gamage Ltd and Benetfink & Co Ltd* [1915] 32 RPC 273 per Lord Parker of Waddington). It cannot also be presumed that the amount of goods sold by the defendant under an infringing trademark would have been sold by the plaintiff if not for the defendant's unlawful use of the trademark (see: *Leather Cloth Company v Hirschfield* (1865) LR 1 Eq 299). Speculative and unproven damage are also excluded (see: *The United Horse-Shoe and Nail Co Ltd v John Stewart and Co* (1888) 5 RPC 260; *Pneumatic Tyre Co Ltd v Puncture Proof Pneumatic Tyre Co Ltd* (1899) 16 RPC 209.

[18] Consistent with the established principle of law in award of damages, it is compensatory, that is, to put the plaintiff in the same position he would have been had the wrong not been committed (see: *Livingstone v Rawyards Coal Co* (1880) 5 App Cas 25). Put in another way it is '… to approach the assessment of damages in this case, in my view, is to compare the position in which the applicants might have been expected to be if the misleading conduct had not occurred with the situation they were in as a result of acting in reliance on that conduct (see *Esso Petroleum Co Ltd v Mardon* [1976] 2 All ER 5; [1976] QB 801 . This is the same (as), or analogous to, the general principle respecting the measure of damages in tort' (see: *Brown and another v Jam Factory Pty Ltd and another* (1981) 35 ALR 79.

[19] Damages for the infringement of intellectual property rights are tortious in nature. Their objective is to restore the claimant to the position he would have been in had the defendant not infringed. Thus, where the claimant is in the business of manufacturing goods, so that they are in competition with the defendant, then the measure of damages will be lost profits. However, it should be noted that damages is to be assessed liberally (see: *General Tire and Rubber Co v Firestone Tyre and Rubber Co Ltd* [1976] RPC 197). And while it is quite easy to state the general principle the mechanics of ascertaining damages actually sustained by the plaintiff are not simple to determine. There is no hard and fast rule to follow which is foolproof and universally accepted (see: *Spalding (A G) & Bros v A W Gamage Ltd and Benetfink & Co Ltd; Juggi Lal-Kamlapat and Juggilal-Kamlapat Mills of Cawnpore v Swadeshi Co Ltd* (1928) 46 RPC 74; *Prince Manufacturing Inc and another v ABAC Corporation Australia Pty Ltd and another)* . It depends on the facts of each case. It is

basically facts driven. However, in assessing damages it is also necessary to exclude those customers of the defendant who were not misled in making their purchases. Otherwise the claimant would be overcompensated. Damages may also be awarded for loss of business reputation and goodwill resulting from the infringement and passing off.

[20] Nearer home the Court of Appeal in *Wembley Gypsum Products Sdn Bhd v MST Industrial Systems Sdn Bhd* [2007] 7 MLJ 193 said this at pp 205–206:

> In our judgment, it is useful to set out the general object of awarding damages, contained in *Clerk & Lindsell on Torts* (16th Ed) at p 254 para 5–04:
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> > The general object of an award of damages is to compensate the plaintiff for the losses, pecuniary and non-pecuniary, sustained as a result of the defendant's tort. More specifically, the assessment process is said to aim at restitutio in integrum. The general principle is, in the off-quoted words of Lord Blackburn, that the court should award 'that sum of money which will put the party who has been injured, or who has suffered, in the same position as he would have been in if he had not sustained the wrong for which he is now getting his compensation or reparation.' The principle admits of application to losses which are capable of reasonable precise calculation in money terms.
>
> (see also *UDA Holdings Sdn Bhd v Koperasi Pasaraya Malaysia Bhd* [2007] 6 MLJ 530 (CA)).
>
> The question is whether the sum has been correctly awarded by the trial court and is consistent with the above general object and principle.
>
> The trial court had assessed damages in the sum of RM4,831,450 by taking into account the plaintiff's total sales and the defendant's profit margin (ie RM14,866,000 x 32.5% = RM4,831,450)
>
> In our view, the trial court had rightly evaluated the evidence of the defendant's own witness (DW1), showing that the total sales of the defendant's GCB products using the trademarks amounted to RM14,866,000.
>
> It was the trial court's finding that the defendant had failed to dispute the fact that the plaintiff would have made a profit of at least 30%–35% out of the loss in the sales of the GCB products using the trademarks. The trial court adopted an average of 32.5% in assessing damages.
>
> We are also of the view that the trial court had occasioned no error in the assessment and award of the sum of RM4,831,450 as damages to the plaintiff. There was also found no error in the award of interest at the rate of 8% per annum from 31 January 1991 (the date of first wrongful use of the trademarks) to the date of realisation.

[21] It is obvious in the above case that the Court of Appeal went on the basis of profit margin of the defendant in computing the amount of damages that should be awarded to the plaintiff. The court did not rely on 'loss of sales' principle.

[22] Incidentally, we note that in coming to its decision the Court of Appeal did not refer to the judgment of the then Supreme Court in *Seet Chuan Seng & Anor v Tee Yih Jia Foods Manufacturing Pte Ltd* [1994] 2 MLJ 770. We think rightly so. In that case the then Supreme Court was not considering a question on assessment of damages but merely determining whether the elements of passing off were satisfied and in reference to the plaintiff's goodwill. Thus, the phrase 'loss of sales' used in the dicta of the judgment of the majority should not be given too much emphasis. It should not be considered as being the ratio decidendi of that case and thus the basis to rely on when assessing damages in a trademark infringement and passing off. The phrase was only used in relation to 'likelihood of damage to the plaintiff's goodwill through loss of sales and loss of the exclusive use of his name'.

[23] Hence, with respect we are not inclined to say that in an action for infringement of a trademark and passing off the basis when assessing damages is on the actual loss of sales as advocated by the appellant and which in this case totalled to RM2,154,426.79. The High Court was therefore right in setting aside the awards based on loss of sales given by the learned senior assistant registrar.

[24] Having said the foregoing, we hasten to state that we are not saying that the approach of taking the overall nett profit of the appellant is the applicable principle as submitted by the respondent. To do so would be contrary to the acceptable principles applied in the common law jurisdictions premised on 'the loss of business profits caused by the diversion of the plaintiff's customers to the defendant as a result of the defendant's misrepresentation'.

[25] Accordingly, for the above reason it is only appropriate that we should now review whether the quantum of damages awarded by the High Court and affirmed by the Court of Appeal in this instant appeal was correctly made in accordance with the relevant principles of law applicable.

[26] The starting point is to note that the respondent did not challenge the loss of sales of the appellant for the year 1995 at RM1,139,655.14 and for the year 1996 at RM1,014,771.65. The respondent assumed the figures were accurate. Nevertheless, those sums should not be taken as synonymous to loss of business profits.

[27] In awarding damages the learned SAR and the High Court seem to have taken the opposite ends of the scale.

[28] On one hand the learned SAR merely totalled up the loss of sales as presented by the appellant and taking it as the damages due to the appellant. The approach would effectively result in the appellant being overcompensated

since items such as overheads and other contingencies would have been included in the computation. Meanwhile, we do not think that the loss of sales can be described as the damages that naturally flow from the unlawful act of the respondent.

[29] The High Court and subsequently affirmed by the Court of Appeal on the other hand based the damages payable on nett profit calculated after taking into account the submitted audited accounts of the appellant. Such computation however has failed to consider that the nett profit of the appellant involved the consideration of other factors such as their sales of other products other than the infringed bags. Further, the issue of tax payable in computing damages in torts action should not arise.

[30] What then is the loss of business profits of the appellant in this instant appeal? On perusal of the appeal record we find the materials adduced are quite scanty thus hampering a comprehensive calculation of damages awardable. Neither the appellant nor the defendant disclosed their profit margins per bag. The appellant only presented its audited accounts and its loss of sales. The respondent through DW1 (Wong Fook Toh) (at p 250 AR) agreed that it sold the offending bags at RM32 per unit while the appellant was selling its bags at RM40 per unit. But we do not think the RM8 difference should be assumed as the profit the appellant would have made if not for the infringement by the respondent. The differences in the qualities of the bags, the economic environment at the material times and the costs of production have to be considered.

[31] Learned counsel for the appellant in his further submission before the learned High Court judge suggested two methods in assessing what he described as loss of sales yet both methods were tied up to average gross profit. The first was before tax and charging overhead while the second method (at pp 326–328 of the appeal record) involved computation before tax only. In our view on the facts and circumstances of this case the fair approach would be to adopt the second method.

[32] In his computation learned counsel relied on the appellant's bundle of documents A at pp 3 and 9 for 1995, Documents A at pp 3 and 10 for 1996 and Documents A at pp 3 and 11 for 1997.

[33] Thus, for the year 1995 the figures given are:

Turnover	RM9,179,686
Profit before taxation	RM34,737
Profit margin	RM34,737/RM9,179,686 = 0.37%
Loss of Sales (not disputed)	RM1,139,655.14

Thus, loss of business profit would be:

0.37% x RM1,139,655.14 = RM 4,312,59

[34] For the year 1996 the figures given are:

Turnover	RM13,123,390
Profit before taxation	RM228,217
Profit margin	RM228,217/RM13,123,390 = 1.73%
Loss of Sales (not disputed)	RM1,014,771.65

Thus, loss of business profit would be:

1.73% x RM1,014,771.65 = RM17,646.98

[35] For the year 1997 the figures given are:

Turnover	RM16,255,160
Profit before taxation	RM234,068
Profit margin	RM234,068/RM16,255,160 = 1.44%
Loss of Sales (not disputed)	RM1,014,771.65

Loss of Sales on the infringed brand was not specifically admitted by the respondent for 1997. But the actual sales of the infringed brand for 1997 totalled RM1,788,067.60. The appellant contended that the infringed brand would have been 12% of the sales of all brands which was RM21,131,708 thus giving the figure of RM747,737.36 (RM2,535,804 lessRM1,788,067.60).

Thus, loss of business profit would be:

1.44% x RM747,737.36 = RM10,767.13

[36] Thus, the sum of RM32,726.70 (RM4,312,59 + RM17,646.98 + RM10,767.13) is in our view a reasonable assessment on the loss of business profits of the appellant in consequence of the respondent infringing its brand for the three years.

[37] Now, on the loss of goodwill and reputation it is trite law that it is presumed and that the sum to be awarded is a matter of discretion.

[38] Before us learned counsel for the appellant submitted that the damages

to be given should be a fair and temperate sum and the sum given at RM50,000 was on low side.

[39] The respondent cross-appealed on the award given for loss of goodwill and suggested that since the appellant did not seriously pursue on the claim the sum should be only nominal at RM10 since the appellant had benefitted upon the grant of the injunction against the respondent.

[40] We have considered the reason given by the courts below. We find no reason to interfere with the exercise of discretion as to the amount of damages given for loss of goodwill. We agree with the Court of Appeal that since the appellant did not propose a higher sum it is a factor to take into account in exercising the discretion. Thus, the sum of RM50,000 as given for loss of goodwill should therefore be maintained.

[41] We disagree with the respondent that the omission by the appellant to seek for higher sum for loss of goodwill should entail only a nominal sum. There is no basis for such submission since as stated above damages for loss of goodwill is presumed. The cross appeal of the respondent is thus dismissed.

[42] Our answer to the question posed is that it is neither loss of sales or nett profit but on loss of business profit.

[43] As regards the appeal by the appellant we allow it to the extent that due to the act of infringement by the respondent of the trademark belonging to the appellant we award damages for loss of business profit in the sum of RM32,726.70.

[44] The award of RM50,000 for loss of goodwill is maintained.

[45] The other orders made by the High Court and the Court of Appeal are also maintained.

[46] We will hear the parties as to the quantum on the costs of this appeal.

POSTSCRIPT

[47] After hearing the parties on the issue of costs we held that the fair order to make is that each party has to pay its own costs. This is because of the answer we have arrived at for the question posed. The deposit is to be refunded to the appellant.

Order accordingly.

Reported by Ashok Kumar